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IN THE CHANCERY COURT FOR LEWIS COUNTY, TENNESSEE
AT HOHENWALD

In re: Sentinel Trust Company

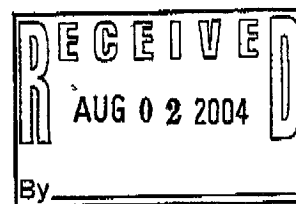
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Case No. 4781

**MOTION OF POPLAR GROVE UTILITY DISTRICT TO INTERVENE
AND TO TRANSFER ESCROW ACCOUNTS TO A NEW ESCROW AGENT**

Comes Poplar Grove Utility District of Tipton County, Tennessee (Poplar Grove) and moves to intervene in this proceeding and for an Order to transfer its escrow accounts to Wachovia Bank, Nashville, Tennessee, Attention: Caroline Oakes. Poplar Grove has five (5) escrow accounts with Sentinel Trust Company (STC). Each of these accounts are discussed below.

Three (3) of the escrow accounts with by STC hold debt service reserve funds. Poplar Grove sold revenue bonds to support capital improvements to its water systems and gas system. The terms of the bond issuances require that certain sums be set aside as debt service reserve funds to be available if the revenues from the operations of Poplar Grove are insufficient to meet the debt requirements of the bond issuances. These debt service reserve funds are required to be kept separately and used solely for the purpose of paying principal and interest on the bonds. Failure to maintain the debt service reserve funds would place Poplar Grove in default of its bond issuances. The bond issuances and the debt service reserve fund accounts are described below.



ST Debt Service Reserve Accounts #573313041 and #573313051 –

Poplar Grove issued Waterworks Revenue Refunding Improvement Bonds, Series 2001 in the amount of \$720,000 pursuant to a resolution adopted on January 23, 2001 supplementing and amending a resolution adopted on July 7 1198, and Waterworks Revenue Refunding Bonds, Series 2002 in the amount of \$3,165,000 pursuant to a resolution adopted on November 27, 2001, supplementing the resolutions adopted July 7 1992 and July 23, 2001.

The operative provisions of Resolutions adopted by the Board of Commissioners of the District on July 7, 1992; July 23, 2001 and November 27, 2001 authorizing the issuance of Series 2001 Bonds and the Series 2002 Bonds require that funds in the amount of the Reserve Fund Requirement be deposited

into a separate and special fund, to be known and designated as "Debt Service Reserve Fund", to be kept separate and apart from all other funds of the District. . . . Money in the Reserve Fund shall be used solely for the purpose of paying principal . . . of or interest on the Bonds and any Parity Bonds for the payment of which funds are not available in the Bond Fund.

(Exhibit 1 is Section 9(d) of the Resolutions adopted on July 7, 1992, as amended and supplemented by the Resolutions adopted on July 23, 2001 and November 27, 2001 referred to above as attested to by Karen Neal, Exhibit 6)

Section 9.3. Reserve Fund. of the Arbitrage Certificate for the Series 2002 Bonds sets the debt service reserve fund for the 2001 and 2002 Series Bonds at \$458,161.00. (Exhibit 2 is the first page and Section 9.3 of the Arbitrage Certificate as attested to by Karen Neal, Exhibit 6). The debt service reserve funds are listed in Exhibit A to Vivian Lamb's Affidavit, submitted as Exhibit 1 to Receiver's Motion for approval of Transfer of Pre-May 18th Fiduciary Investment Accounts when Successor Paying Agent or Trustee is Appointed. (A copy of this Affidavit is attached as Exhibit 3 for the Court convenience). Accounts #573313041 and

#573313051 are the debt service reserve funds established pursuant to the Resolutions and reflected in the Arbitrage Certificate. These escrow funds are invested in a US Treasury Bill maturing on 10/28/04.

ST Debt Service Reserve Accounts #57331303144724010-

Additionally, Poplar Grove issued Gas System Revenue Refunding Bonds, Series 1998A in the amount of \$3,845,000. The Resolution adopted by the Board of Commissioners of the District authorizing the issuance of Series 1998A Bonds states in part in *Section 8. Application of Revenues*. (d) as follows:

... the next available money in the Revenue Fund shall be used to make deposits into a separate and special fund, to be known and designated as "Debt Service Reserve Fund", to be kept separate and apart from all other funds of the District. . . . Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds and any Parity Bonds for the payment of which funds are not available in the Bond Fund.

* * *

(Exhibit 4 is the first page and page or pages of the Resolution referred to above, the quoted portion is underlined as attested to by Karen Neal, Exhibit 6)

Page 6 of the Arbitrage Certificate for the Series 1998A Bonds sets the debt service reserve fund at \$386,226.25. (Exhibit 5 is the first and sixth pages of the Arbitrage Certificate as attested to by Karen Neal, Exhibit 6). Exhibit A to Vivian Lamb's Affidavit, Exhibit 5 herein, lists this debt service reserve fund as Account #57331303144724010. The escrow funds are invested in a US Treasury Bill maturing on 10/28/04.

It is clear from these documents that STC was required to escrow the funds received from Poplar Grove, and to use the funds only to pay interest and principle on the bonds and parity

bonds. It is also clear from these documents that these funds were properly segregated for this purpose.

T.C.A. §45-2-1504 states:

(c) As soon after the commencement of liquidation as is practicable, the commissioner shall take the necessary steps to terminate all fiduciary positions held by the state bank and take such action as may be necessary to surrender all property held by the bank as a fiduciary and to settle its fiduciary accounts. Such fiduciary accounts may be transferred by the commissioner to another qualified corporate fiduciary as determined by the commissioner, and notice of such transfer must be given by registered mail to the parties by the transferee corporate fiduciary.

By Resolution adopted July 27, 2004, Poplar Grove terminated Sentinel Trust Company and designated Wachovia Bank, National Association, as its Successor Agent and requested that all funds be transferred to its Successor Agent. Poplar Grove requests the Court to order the Receiver to transfer the debt service reserve fund accounts and all funds, books and records relating to these bond issuances to Wachovia Bank, National Association in accordance with the attached Resolution and letter. Poplar Grove further requests pursuant to Rule 62.01 of the Rules of Civil Procedure, that the Order not be stayed after entry.

Poplar Grove Operating Account #573313000, and Deposit and Refund Account #573313007

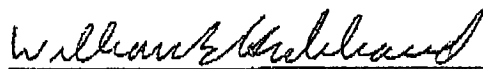
Finally, as reflected in Vivian Lamb's affidavit, Exhibit A, Exhibit 3 herein, Poplar Grove had two additional accounts with ST. ST purchased a US Treasury Bill in the amount of \$72,000.00 labeled Poplar Grove Operating Account #573313000 maturing 10/28/04; and ST purchased US Treasury Bills in the amount of \$80,000 labeled Poplar Grove Deposit and Refund Account #573313007 maturing 10/28/04. Poplar Grove requests the Court to order these accounts transferred to another trust company.

Poplar Grove requests this Motion be set for August 9, 2004.

Respectfully submitted,

**HUBBARD, BERRY, DOUGHTY, HARRIS
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